



**The Statement of Gilbert Aranza
CEO, Star Concessions, Ltd.**

At the hearing on:

**The Department of Transportation's
Disadvantaged Business Enterprise
Programs**

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**Before the Committee on
Transportation and Infrastructure
of the United States House of Representatives**

James L. Oberstar, Chairman

Good Morning. My name is Gilbert Aranza, and I am the CEO of Star Concessions, a 100 percent, minority-owned, certified DBE based in Dallas, Texas. I would like to thank Chairman Oberstar, Ranking Member Mica, and the distinguished members of the Committee for providing this opportunity to present testimony.

Star Concessions, Ltd. ("Star") is the umbrella for a group of companies that operate food, beverage, retail and convenience store/service station concessions in airports. Star operates facilities out of Dallas/Fort Worth International Airport (DFW) and Dallas Love Field Airport (Love Field).

I am very pleased to be here today and to have the opportunity to testify about the Federal Aviation Administration's (FAA) Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program. I strongly believe that I would not have received many of the opportunities I have had without the help of this program and other federal and local minority business programs. The fact is, while we have made progress in this country against racial and ethnic discrimination, a great deal remains to be done. Discrimination against minority-owned companies is still very common and very damaging. Even though many large, majority-owned companies advocate diversity, I truly believe that they would not make room for minority-owned companies without programs like the ACDBE program.

After the City of Dallas moved to single member council districts in 1991, the new city council, which included more minorities, moved aggressively to increase the number of minority contractors doing business with the city at every level. In 1995, I won the food and beverage concession contract at Dallas Love Field Airport. My competitors were four rather large companies, one being the former food and beverage concessionaire the preceding 37 years. Certainly, it made a huge difference that my company had excellent credentials and the ability to deliver the national brands the city wanted; but even though we were highly qualified, I do not believe that I would have won the contract without the push to be inclusive from the City Council and the DBE program. Since then, there have been numerous incidents I could cite that have contributed to my belief; that if it weren't for the ACDBE and other federal programs, airports and majority-owned companies would not provide opportunities for minorities and minority-owned companies to participate in the program. I don't say this because I believe the leaders of major companies are bad people, but I know from first hand experience that many of these companies do not view diversity as something that is good for business and good for the bottom line.

It is important to realize that discrimination impacts minority businesses in many different ways. Four areas in which I think discrimination continues to have a particularly negative impact are: 1) minorities are often denied traditional sources of financing; 2) minorities are excluded from business associations and networks; 3) discrimination by suppliers and other private companies; and 4) enduring stereotypes and bias.

Discrimination in Capital Markets and Financing

I can tell you that a minority-owned business has incredible difficulty obtaining regular bank financing. I am in the food and beverage industry, which already makes getting financing

difficult. The problem is compounded by operating in an airport where you don't own the physical space and are subject to a system that does not easily negotiate with its tenants. The reality is that banks are not open to doing business with minorities. Some banks won't talk to minorities at all. Others have learned to be polite over the years, but, at the end of the day, they have no interest in financing minority-owned businesses.

If a minority-owned firm manages to get a loan, it is almost always at a higher rate. For instance, I might be able to get 15 or 16 percent money, where a majority player might be able to get 7 or 8 percent money. I've been lucky with some banks, but 90 percent of my financing comes from lenders that are chartered by the federal government to work with small businesses and, specifically, minority small businesses – like lenders chartered by the SBIC program.

When obtaining capital is harder, it takes longer to get started – even when you are as driven as I am. I had trouble with financing right from the start. When I came back to Dallas as a young lawyer and tried to borrow money, race was absolutely a factor in my not being able to obtain loans. I can tell you that my Anglo counterparts – who didn't go to the same caliber of schools I went to – had no trouble borrowing money. I played the game the way it was supposed to be played and went to the University of Texas at Austin and Harvard Law School. Everyone always says, “If you get a good education, it makes all the difference.” And I agree, a good education is important – but it didn't prevent my race from making it difficult to obtain financing.

Discrimination in Business Networks

I wish I could report that the Good Ol' Boy Network no longer exists, but I am afraid that I run up against it all the time. Conventional wisdom in Texas is that students who go to one of the state's flagship schools, like the University of Texas or Texas A&M, and stay in Texas usually find a built-in network of people with whom they can do business. It is the equivalent of graduating with a diploma and an advantage. However, I went to the University of Texas at Austin (UT Austin), and it hasn't benefited me professionally in the same ways it has benefited many non-minority graduates.

Let me give you an example. I joined the Young President's Organization, which is a fairly exclusive club in Dallas. The membership is comprised of people who run companies with revenues of 10 to 20 million before the age of 40. I qualified for that group in 1993, and I had to go to a number of meetings and events in order to be admitted. The first two times I was there, I had to listen to a white male telling racist jokes. I almost refused to continue. As it turns out, the white male telling the jokes was the Chair of the DFW Airport Board. Fortunately, this was before I had submitted any proposals to DFW International Airport.

During the time I was seeking admission, I was the only brown person in the Young President's Organization. There were no Blacks. I can tell you that less than a third of the members would shake my hand. They just walked by and ignored me. They constantly tried to bait me by saying derogatory things about immigrants and bilingual education. I was surprised when I was finally admitted. There were times I wanted to quit, but I made myself stay because groups like the Young President's Organization are very important for developing business connections and

relationships. In the early days, at holiday parties, I was the only brown person there other than the wait staff. It's amazing to remember how many members asked me to get them drinks.

Discrimination by Suppliers and Other Businesses

One of the biggest problems that minority entrepreneurs have to deal with is discrimination by other businesses. While the airports and other public or semi-public entities have laws and regulations enforcing equal opportunity, private businesses do not. This leaves room for a lot of discrimination. In recent years, I have had an inside view of how things work in large majority-owned companies. For instance, I served on a diversity-oriented board for a major company. To his credit, the CEO told those of us on these boards, "I want you to make life difficult for our leadership because they don't understand the importance of diversity." I was on that board for eight years. I saw the inner workings of the company's leadership. In some ways it is hard to fault them because they were trying hard when so many others weren't, but, the fact is, they were mostly white and male. We made some progress. When we started, the minority component of senior leadership for the company was very small. It was better when I left, but that progress did not come easily. Whether it was hiring more minority suppliers or employees, there is still more that could have been done.

Supply pricing is another problem. When I opened a convenience store at DFW, the prices I was getting from one of my suppliers were outrageous. He tried to convince me that he was giving me his "mom and pop" pricing. I finally had a pretty honest conversation with him, the result of which was that he started giving me prices that made sense. Honestly, I wasn't sure if that was the way he dealt with minorities or if he was only that way with people he didn't think were experienced enough to challenge him on his pricing. Either way, the result was the same. As a result of discrimination, minority business owners are more likely to be less experienced and therefore they end up being charged higher prices.

Another example I can think of involved a beer distributor that served the Dallas area. All of the local distributorships are owned by Anglos. The owner of one distributor made it a point to come to me, welcome me and ask if there was anything he could do for me. That was terrific and that guy deserves lots of credit. Then there was the counter-example. Another distributor's salesman simply ignored me. Over the years, the difference in service between the two became more and more evident. Eventually, I phased out my use of beer from the non-responsive distributor. I took it off tap and removed all their signage. One day the man who owned the distributorship was flying through Love Field and noticed none of his beer or signage in my stores. He made his way to my office at Love Field and asked why I wasn't selling any of his beer. I told him it was because the representatives from his company weren't responsive and pretty much ignored me. The next thing I knew he was my best friend. I sell their beer now, but it is hard to forget how they initially treated me.

I have decided that I want to do business with the people who behave in a proper manner toward minorities. I am pretty confident that most of my suppliers deal with me and think, "Oh, he is just a minority," but, at this point, I think I am getting favorable pricing from most of them. It's not because they all of a sudden decided they like Hispanic or Black people. It's because they know I can hurt them by not selling their product. Do I think for a minute that these people

would otherwise go out of their way to do business with minorities? Absolutely not! But with me, they don't have a choice – in part because of the DBE program and in part because those of us who were given a fair shot under those programs have now succeeded in such a way that we have to be dealt with fairly. Yet, I have no doubt that if the DBE program disappeared, many of these large, majority-owned firms would stop doing business with minorities all together.

Enduring Stereotypes and Bias

Even though many people want to believe that we now live in a colorblind or “post-racial” society, we don’t. Just recently, a distributor came into one of my stores and demanded to speak to the owner. He was rude and dismissive, and, based on his tone, I knew it hadn’t even entered his mind that the Hispanic guy in front of him might be the owner. I told him, “You are talking to the owner,” and I stopped doing business with that company.

It’s important to understand that even past discrimination impacts today’s minority business owners. If you are old enough to be a successful business owner today – assuming you didn’t just inherit a successful business – then you were in college and professional school and getting your early work experience several decades ago. I suspect that even though I was fortunate enough to go to some very good schools, my early work experience was very different than the experiences of my white competitors.

The year I got my first job at a law firm, I had to interview with all 42 attorneys at the firm. I guarantee you that young, white lawyers did not have that same experience. One of the lawyers who started working for the same firm as me, who graduated the same year I did and was white, flat out told me that he believed I had taken his place at Harvard Law School. His implication was that I had somehow “stolen” his spot through affirmative action. He wasn’t the only one. Another associate said his friend graduated at the top of his class at another law school and that I had taken his friend's space at Harvard. I'm the type of guy who usually just perseveres and pushes this stuff down, but I went back to those guys and gave them copies of my transcripts and my resume and said, "Here, see if you can beat me. Take this and look at it and tell me if you can compete with me."

There were other problems with that first law firm job. When I started there, the firm actually had clients who refused to work with me because I was Hispanic, but I have to give credit to the senior partner. He called me into his office and told me what the clients had said about me. Then he said that he told them they were either going to work with me or they could find another law firm. That is the type of leadership we need more of in business and professional environments. I was the first minority hired and the first minority to make partner at a major law firm in the city of Dallas.

My Success Benefits Others

To the extent that I have been successful, I have practiced what I have preached. Minority business owners do more to hire and mentor other minorities. I know I do. I have African American partners in most of my businesses at the airports. I don't have to do it. I am already 100 percent minority-owned. I do it because it makes good business sense and it’s the right thing

to do. I am not sure that non-minorities in my position believe it is either the right thing or the smart thing to do.

My employees are 40% Hispanic, 30% Black, 30% Anglo, and many of them are female. I have a pretty diverse management team, and they come into contact with a lot of people who are Anglo, and I stress to everybody that we don't tolerate discrimination at any level in this organization. My success means that I can have a zero tolerance policy for discrimination. I teach my employees they do not have to put up with being mistreated. If I hear that an Anglo route man has disrespected one of my minority managers, I will terminate that relationship. I won't put up with it. They need to send me someone who will be respectful of all of my employees if they expect to continue doing business with me.

When I became a Pizza Hut franchisee in 1993, I got a call from the General Counsel of Pizza Hut. He wanted to see me because they were in a position where they would not have had any Hispanic franchisees in the U.S. So they engaged the U.S. Hispanic Chamber of Commerce, and my name was at the top of the list, primarily because of my Dallas area restaurants. The president of Pizza Hut toured all of my restaurants. He asked me how it was possible that I had so many Black, Hispanic, gay and female managers. I told him, "If I don't do it, no one else will." And I really believe that. So if you come to my organization today, I probably have more African American and Hispanic American general managers than any other businesses of comparable size or larger.

The fact is, fostering diversity and making money are not conflicting goals. It is good for business, but you have to believe it is important and you have to do the work. Anglo business owners just aren't getting the job done. I think that creating a level playing field that will allow more minority-owned businesses to succeed is a critical part of accomplishing that goal.

Conclusion

I am very supportive of the DBE program and other programs that assist minority business owners. If it were not for the DBE program and the SBIC program, there is no way that I would be where I am today.

That said, there are ways that these programs could be improved. In the current economic climate, minority businesses need more and better access to credit and venture capital. In addition, I believe that there are ways that airport staff could be more helpful in working with DBEs that are not big players or who don't have the expertise of large corporations. A little bit of help and advice could go a very long way. For instance, large companies know to pick the best locations in order to increase their chances of getting customers, but a minority business just starting out might not know how to do that and could not afford a consultant to help. I think the airport staff could help a lot with things like that.

I am grateful for the opportunity to share my experiences with you and for your support of these crucial programs. I would be happy to take any questions you might have.